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USAREUR Support Contract up and running

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By Joan F. Kibler

Big changes are happening in TAC's logistics contracting world.

Since 1995, the Transatlantic Programs Center has managed logistics services contracts supporting peacekeeping operations in Bosnia and Kosovo, totaling some \$3 billion. The contracts were cost reimbursement contracts on which the government issued task orders for generally described services.

In July, TAC lifted a stop-work order on the U.S. Army Europe Support Contract, which had been awarded in June 2005, to provide logistics services to support the operational readiness of U.S. forces anywhere in the USAREUR area of operations.



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“The USAREUR Support Contract has a much broader area of responsibility than its predecessor contracts,” said project manager Benjamin McClellan. “It can be used to support military exercises as well as contingency operations, and it has both fixed price and cost reimbursement task orders.”

In 2002 USAREUR G4 (Logistics) began restructuring its requirements in the Balkans, anticipating that the sustained operations could support fixed price line items within an overarching services contract, McClellan explained. In addition, USAREUR determined that a restructured contracting tool would be advantageous for supporting its expeditionary operations throughout its area of operations, including military training exercises.

USAREUR contracted with WP Cioffi Engineering to write major portions of the USAREUR Support Contract and began working with TAC and the Army task forces downrange to develop the new contract structure.

Changing the contract format

The resulting contract is three dimensional, unlike its predecessor contracts, according to Philip Steelman, program manager, USAREUR. It defines what we want, how much we want, and how well we can measure the services, including their timely delivery.”

The USAREUR Support Contract contains detailed descriptions of the service requirements, based on the DoD Guidebook for Performance Based Acquisition Strategies.

- A detailed Performance Work Statement identifies measurable outcomes. It includes technical exhibits that provide workload data such as quantities, frequencies, miles, gallons, etc., for specific work requirements.
- Measurable performance standards define acceptable performance.
- The quality assurance surveillance plan describes how contractor performance will be assessed against performance standards.

Where services can be adequately defined – generally, for recurring services – fixed price task orders will be issued, and in fact, the USAREUR Support Contract is about evenly split between fixed price and cost reimbursement line items.

“The USAREUR Support Contract went into effect on October 1, replacing the Balkans Support Contract,” said Lynne Miller, procuring contracting officer. “With it came a major change in the way the government and contractor do business. We are working through the process of fully understanding the contract requirements and making sure the contract provides all the necessary services for the deployed task force. This especially relates to which work items are fixed price and which are cost reimbursement.

“This is critical because costs for cost reimbursement and fixed price line items must be kept separate,” Miller continued.

“For the fixed price line items, the contractor is expected to perform the service in accordance with the prices he submitted in his proposal, which includes his proposed profit,” she said. “For the cost reimbursement line items, the contractor will be paid an automatic base fee of one percent and an award fee, based on performance, of up to six percent of the negotiated estimated costs. It is absolutely critical that the costs be segregated.”

“This is also a major change for the end-users of contracted services, such as the task force and other deployed customers as well as the stakeholder organizations, who evaluate the contractor’s performance as part of the award fee process,” said Robert Schaible, TAC program manager. “For the award fee evaluation, their performance evaluations must only consider the contractor’s performance on the cost reimbursement line items. They cannot consider the contractor’s performance on the fixed price line items.”

Contract structure

The contract is structured with multiple line items that fall under overarching categories, such as the countries where the support is required (e.g., Kosovo, Bosnia) and at broader levels such as equipment, materials and supplies, freight, and USAREUR-wide support, McClellan said.

The types of support fall into six functional groups that are further broken down into 31 major service areas. The service areas have scheduled and unscheduled work items, and those may be fixed price or cost reimbursement. These different line items constitute nearly 400 contract line items per year, representing a broad menu of services from which orders can be placed.

The functional areas with examples of major service areas are:

- **Base camp maintenance** – buildings and structures, roads and grounds, water and wastewater services, janitorial, HVAC and electrical services, refuse/recycling services, pest control, environmental services, fire and emergency response.
- **Troop services** – housing, food, laundry, and recreation support.
- **Operational and regional services** – fuel services, supply support, equipment maintenance, transportation, container handling, shuttle bus service, and airfield/air terminal services.
- **Non-recurring services** – temporary construction and disassembly of facilities when no longer needed and non-recurring support services that have limited need, such as services for a military transfer of authority when troop units change.
- **Project management** – the contractor’s project management and quality control.
- **Area Support Group staffing** – administrative and information services supporting task force operations.

“While the contract structure may appear to be complex, it is a convenient mechanism for the government to pick and choose what specific services it needs contractors to perform in any given location,” Miller said.

“But this contract is noticeably different from the Balkans Support Contract, and it’s requiring complete changes in our processes and procedures, starting with how we task the contractor for services, how we administer the contract, and how we monitor the contractor’s performance. In addition, the contract contains a mechanism for converting cost reimbursement line items to fixed price when the government has adequate information to do that.”

The USAREUR Support Contract Team

Managing USAREUR’s logistics contracts has always required an intensive partnership of many government agencies. USAREUR sets the overall program priorities and passes them to TAC as its contracting organization.

TAC is the link with the Corps of Engineers’ Europe District, which has been providing contract administration services in the Balkans for more than a year now. The district has a full complement of administrative contracting officers, quality assurance, property control, and administrative personnel.

“We’re seeing significant changes in our contract administration at all levels of the project team,” Miller said, “but none more so than the ACOs and other personnel in Kosovo, in particular, as well as Bosnia. These people are doing Herculean efforts as they work with the Army’s task force personnel to ensure that all services are being met under the revised contract structure. They work with their district in Wiesbaden and with TAC in sorting out the requirements, and they provide the daily interface on multiple levels with the contractor.

“Communication between all parties is critical as we work through this adjustment period,” she said.

In addition to USAREUR, TAC, and Europe District, the government team includes the Defense Contract Management

Agency and the Defense Contract Audit Agency.

DCMA provides systems administrative contracting officers at the contractor's headquarters to review, approve, and monitor the management and cost systems that the contractor must have in place to perform cost reimbursement contracts for the government. These systems include accounting, purchasing, billing, property, and estimating.

If the contractor is tasked to support a military contingency operation outside the Balkans in USAREUR's area of operations, DCMA may provide administrative contracting officers, quality assurance, and property control personnel. Formerly, it performed this function in the Balkans but stopped providing this service in September 2005 because of the changing nature of the Balkans mission and its demanding contingency contract administration responsibilities elsewhere in the world.

DCAA provides independent verification of costs incurred by the contractor for the cost reimbursement line items.

Dealing with the Protest

The USAREUR Support Contract was placed under a stop-work order as a result of a sustained protest by one of the unsuccessful offerors, which protested the June 2005 award with the Government Accountability Office. GAO issued its decision sustaining the protest in October 2005 and recommended the government take corrective action. The GAO did not recommend termination of the contract with KBRS while corrective actions were being taken, unless warranted by a new source selection decision resulting from the government's reevaluation.

In taking corrective action, the Transatlantic Programs Center revised its government estimate taking into account current projected workload, amended the request for proposal documents, obtained and evaluated proposals, conducted discussions with the offerors, and made a new source selection decision based on its reevaluation.

The government was committed to ensuring that the acquisition complied fully with the Federal Acquisition Regulation and the GAO recommendations to ensure that all proposals received full and fair consideration. To assist with that process, TAC engaged several DoD, Army and other Corps organizations – eight total – to participate in a formal source selection evaluation and to review the processes used. Formal source selection procedures are used for complex, high visibility, or large dollar value acquisitions.

“While labor intensive, the beauty of a formal source selection is that teams are formed to independently evaluate proposals, based on the criteria the government sets forth in the solicitation,” said David Worthington, civil engineer in Project Management. “Then they come to consensus and crosswalk their findings to present clear and independent data to be used in the decision-making process.

“A formal source selection process results in detailed analyses and constant checking and verification of both government and contractor data,” Worthington said. “The government may hold discussions with the offerors to make sure their proposals are clear and reflect an understanding of the government's requirements. The process allows for constant dialogue between the government and the contractor. The government may issue revised request for proposal documents, and the contractor may submit revised proposals.

“The government may also ask questions about other findings during the proposal process and especially should do this if negative past performance information is received,” he continued. “The government has an obligation to discharge that information – to research it and to give the contractor an opportunity to present his side. Such information may come from a variety of sources, including contractor evaluation reports and even reports in the media.

“Source selection is a complex and detailed process,” Worthington said. “The Federal Acquisition Regulations are set up to ensure that when the processes are followed, the government will achieve the best selection for meeting its needs, and offerors will receive fair and objective consideration.”

The source selection decision for the USAREUR Support Contract held that KBRS offered the most advantageous proposal overall for providing logistics services to the Army in the USAREUR area of operations.

USAREUR Support Contract at a glance

Purpose:

- Provides logistics support, temporary construction, and associated services to U.S. forces currently deployed in the Balkans region and future contingency operations in the USAREUR area of responsibility, comprising more than 90 countries in Europe, Russia, Israel, and much of Africa.
- USAREUR determines when the contract will be used to support military contingency operations and military training exercises.

Types of services:

- Life support services
- Transportation and maintenance services
- Miscellaneous logistical services
- Base camp operations

Type of contract:

- Indefinite delivery/indefinite quantity contract
 - - Does not specify a firm quantity of services, other than a minimum and a maximum quantity
 - - Provides for the issuance of individual task orders for work during the period of the contract.
- Task orders use both fixed price and cost reimbursement line items.
 - - For the fixed price line items, which can be fully defined at the outset, the contractor will perform for the price it proposed for recurring work.
 - - Cost reimbursement line items – under which the contractor will receive its documented reasonable, allowable, and allocable costs for performing required services – will be used for non-recurring, unscheduled or other activities unable to be fully defined at the outset.

Value of the Contract:

- Minimum guaranteed contract amount: \$5 million for the first year of this contract; \$1 million for each of the four option periods; exercised at the government's discretion.
- Maximum capacity: \$1.25 billion in services over the life of the contract.
- Awarded for \$54 million for the first year's operations in the Balkans only.

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